



*Every day we face many
consumer, financial, legal,
business and employment
choices. Commerce helps us to
make informed and responsible
decisions.*

Consumer choice

'Commerce' is not a totally new subject to you. In one sense, you have been practising Commerce ever since you made your first purchase many years ago. That simple transaction — an ice-cream or a comic book — launched you on life's journey as a consumer and as an important part of the commercial world. Undertaking this Commerce course will give you a better understanding of how to make wise commercial decisions.

focus

On completion of this chapter, you will have learnt how to identify, research and evaluate options when making decisions related to solving the problems and issues that confront consumers.

outcomes

A student can:

- 5.1 Apply consumer, financial, business, legal and employment concepts and terminology in a variety of contexts
- 5.2 Analyse the rights and responsibilities of individuals in a range of consumer, financial, business, legal and employment contexts
- 5.3 Examine the role of law in society
- 5.4 Analyse key factors affecting commercial and legal decisions
- 5.5 Evaluate options for solving commercial and legal problems and issues
- 5.6 Monitor and modify the implementation of plans designed to solve commercial and legal problems and issues
- 5.7 Research and assess commercial and legal information using a variety of sources
- 5.8 Explain commercial and legal information using a variety of forms
- 5.9 Work independently and collaboratively to meet individual and collective goals within specified timelines.





glossary

acceptance: when the offeree agrees to the proposal

barter: the swapping or exchanging of one good for another

book up: a charge account operated by a trader

budget: a list of income and likely expenditures

caveat emptor: let the buyer beware

cheque: a written communication ordering your financial institution to pay a person a specific amount of money

comparison shopping: contacting (by telephone or Internet or in person) a number of sellers to obtain the best deal

consideration: the giving up of something of value

consumer: someone who purchases goods and services to satisfy needs and wants

contract: a legally binding agreement

drawee: the financial institution that provides cheque account facilities

drawer: the person who writes and signs a cheque

EFTPOS: electronic funds transfer at point of sale

goods: items that you can see or touch

income: money received on a regular basis from work, property, business, investment or welfare payments

interest: the extra money you have to pay back when borrowing money

labour force: people aged 15 and over who are either employed or unemployed

mail order: a system of shopping in which the consumer orders and usually receives products through the mail

manufacturer: a person or business that makes goods

merchantable quality: an acceptable quality in keeping with a product's price

money: any token, with an agreed value, that people accept as payment in exchange for a good or service

needs: things that are necessary for survival, such as water and food

offer: a proposal

payee: the person who is to receive the money from a cheque

price: the amount of money a consumer is prepared to offer in exchange for a good or service

profit: what remains after all business expenses are deducted from the sales revenue

redress: to set right

retailer: a person or business that sells products directly to the consumer

rip off: to overcharge or swindle

scam: an illegal business practice

services: things done for you by others

unconscionable act: any practice by a seller that is just not reasonable and often illegal

wants: things that are not essential for survival but that we would like to have

wholesaler: buys goods in large quantities from the manufacturer

Commerce and choice

Decisions affecting the quality of our lives

Jo faces some important decisions. She wants to purchase a mobile phone but is not sure which plan to choose or if a pre-paid card is better. She wants to open a savings account but doesn't know which one provides the best features. She has been offered a full-time job at a local bakery but is uncertain about leaving school before she completes year 10. She also wants to purchase only products that are environmentally friendly.



Jo realises that making decisions can sometimes be difficult. To make wise decisions, she must research the different options available, evaluate each one, then make a final selection.

Like Jo, we are all forced to make commercial choices even though we are not normally aware of doing so; for example, deciding what to buy for lunch, how to travel to school or which DVD player to buy. These are all commercial decisions because they involve using a scarce resource: **money**.



Money is a scarce resource for most people.

Making wise decisions depends not on good luck but on being well prepared and well informed. A poor decision may result in financial difficulties and personal unhappiness.

Commercial decisions can be related to consumer, financial, business, employment, legal or environmental factors. Whether decisions are made on impulse, by habit or after careful evaluation of the alternatives, each one can have a direct effect on the quality of our lives. Those decisions that can alter our lives the most, such as Jo's decision on whether or not to leave school before the end of year 10, should receive a lot of careful consideration.

Consumer decisions

We are all **consumers**. A consumer is someone who purchases **goods** and **services** to satisfy **needs** and **wants**. Everyone has needs and wants and we spend a lot of time and money trying to satisfy them. Consumers, therefore, are constantly making choices when they buy goods and services.

Not long ago, consumers who wanted to find out about an item to purchase simply asked the store-owner. However, in today's complex marketplace, filled with a vast range of goods and services, decision making can be complicated. For example, a consumer shopping in a supermarket must be able to evaluate and choose from thousands of goods. As more choices become available, it is increasingly difficult for consumers to make wise decisions.



Consumers are always confronted with decisions even if only purchasing something as simple as food for lunch. Which one would you choose to consume?

Some consumer decisions are relatively simple because the amount of money you have is limited. On other occasions, you may be forced to make difficult choices, especially when businesses try to persuade you to buy their product by using influential advertising.

You should consider three basic questions before you decide to buy something. These are:

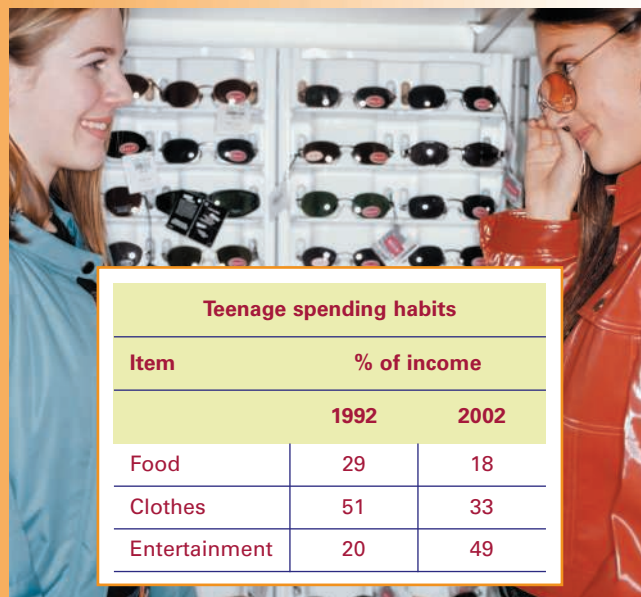
1. *Do I really want this item?* If you purchase one thing, you will have to do without something else. Therefore, choose the product that gives you the greatest amount of satisfaction.
2. *Can I afford it?* By purchasing this product, will you have enough money left for other essential items? Because you cannot have everything you want, you must decide which items you want most and can afford.
3. *Is there something better?* By shopping around, you can compare similar products, allowing you to select the product that best suits your needs. As well, you will be able to compare **prices**. You may be able to purchase the same product for a cheaper price, which will save you money.



skillBOOSTER

Interpret a table

A table provides a range of data, arranged in columns (reading down) and rows (reading across). It presents a great deal of information in a small amount of space.



Teenage spending habits		
Item	% of income	
	1992	2002
Food	29	18
Clothes	51	33
Entertainment	20	49

Teenage spending habits: 1992 and 2002

Note column and row headings, and the table heading. These give meaning to the data presented.

Look for steady patterns (increasing or decreasing data) and for unusual results or trends.

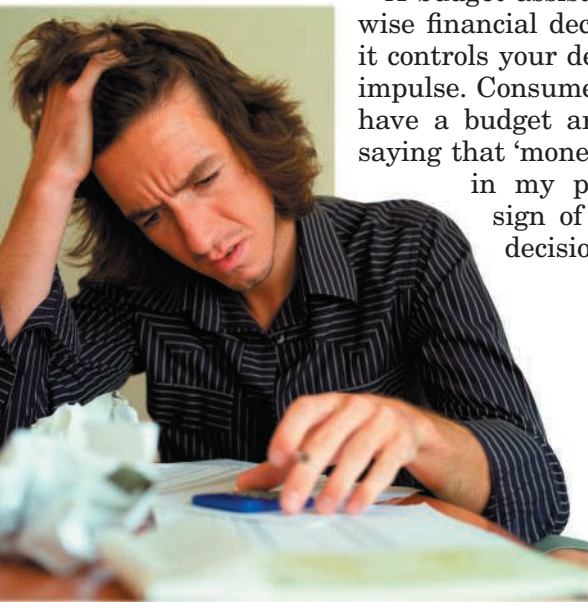
Note any especially high or especially low figures.

- (a) In which year in the table was the amount spent on entertainment at its highest?
- (b) Spending on which item increased the most over the ten years?
- (c) What trend do these statistics reveal?

Financial decisions

The most basic financial decision consumers need to make is how much of their **income** to save and how much to spend. Income is money received on a regular basis from work, property, business, investment or welfare. To gain the greatest possible satisfaction from their income, many people develop a financial plan. Consumers need plans so that they will have enough money to satisfy their wants. A plan might cover income and spending for the week, month, year and even future years. By making these plans, consumers should be able to improve their wellbeing or quality of life. These plans are called **budgets**.

A budget assists you to make wise financial decisions because it controls your desire to buy on impulse. Consumers who do not have a budget are often heard saying that 'money burns a hole in my pocket': a sure sign of poor financial decision making.



Balancing the books is much easier if you make a budget.

Success at managing money takes time and effort. Like other commercial skills, it may be difficult at first to establish and stick to a budget. However, with practice it can become a routine part of life.

Another important financial decision is selecting a method of payment: usually cash or credit. This is a decision made thousands of times every day by Australian consumers (discussed further on pages 26–9).

Learning to make wise financial decisions is very important, as falling into debt can lead to many problems that affect the quality of your life.

Business decisions

As a high school student, perhaps you have operated your own 'business', mowing neighbours' lawns, babysitting, washing windows or setting up a stall at a local community market. If so, you have entered the world of business. The world of business is made up of those organisations that produce a good or service, which is sold in a market where buyers and sellers meet.

As a 'business owner', you must make a number of important decisions. How well you make these

decisions largely determines the success of your business. The main business decisions include:

- to whom will I sell my good or service?
- how much will I charge?
- where will I buy my supplies?
- how will I market my business?



The challenges of a young business owner

To satisfy the needs and wants of your customers, your business has to produce the goods or deliver the services that customers demand. By producing these goods or services for sale on the market, you hope to achieve a number of business goals. Making a **profit** is perhaps the most basic of these. A business makes a profit when the income earned (revenue) is greater than the costs of production (expenses).

Employment decisions

Students are often asked: 'What do you want to do when you leave school?' It can be a difficult question to answer, especially when you are young and the **labour force** is changing so rapidly.

The decision on which career path to take is one of the most important you will make. Therefore, you need to investigate the various options. When deciding on a career, you should consider:

- your abilities, interests and personality
- the careers market — what is available now as well as future prospects
- how to become qualified and prepare yourself for a job
- what happens when you get the job.

Each of these issues will help you to plan your life because the decisions you make will be important to your future and quality of life.

Legal decisions

Tom is employed as a casual sales assistant at the local Hollywood Video Hire store and has received his first pay slip. On the way home, he stops at the shops and buys his favourite band's new CD. Tom, like all consumers when they purchase something, has just made a number of legal decisions.

When you buy an item, you assume that:

1. The goods will be of a **merchantable quality**: that is, of an acceptable quality in keeping with the price that you must pay for them.
2. The sale involves a **contract** between two parties in which each party agrees to provide something of value for the other. Virtually all consumer sales do this.

For most simple purchases, you will be able to look after yourself. For example, if you buy some rotten tomatoes, you only have yourself to blame for not selecting carefully. However, with the wide variety of products available today, legal decisions are more complex. It may be difficult to determine on first inspection if a product is faulty, especially if it is well packaged. Consequently, laws have been developed to protect the consumer. If you buy a product and then find it is faulty, you need to be aware of your

rights and responsibilities according to the law for consumer protection. The decisions you make in this situation will affect your welfare.

Environmental decisions

One important set of decisions, which will directly affect your physical quality of life, involves the responsibility to protect the world's environment both for now and in the future. As a consumer, you can decide to purchase products that are less harmful to the environment. You can also recycle glass, tin cans, aluminium cans, newspapers, plastic bottles and clothing. Consumers are being encouraged to consider alternatives to the plastic shopping bag because it is not biodegradable. Sometimes environmental decisions can be difficult to make because we are confused about which products are environmentally safe.

comFACT

People with full-time jobs spend about half of their waking hours at work. It is therefore a good idea to choose a career that you know you will enjoy and will give you satisfaction.

Activities

UNDERSTAND

- 1 What is a consumer?
 - (a) Explain the difference between a 'need' and a 'want'. Paste in your notebook pictures of three of your needs and three of your wants.
 - (b) What are the three basic questions you should consider before buying something?
- 2 What is meant by the term 'budget'?
- 3 What are the two most common methods of payment?
- 4 Explain why you cannot satisfy all your wants.
- 5 What do you consider your main difficulty as a consumer? Share your answer with the class.
- 6 Do you believe people can learn how to make wise consumer decisions? Give reasons for your answer.
- 7 Predict the likely outcome of not having a budget.
- 8 Explain the meaning of the following terms by using them in a sentence:
 - (a) income
 - (b) budget
 - (c) merchantable quality.
- 9 What is meant by the expression, 'money burns a hole in my pocket'?
- 10 Think of a product you recently purchased that you now think was an unwise choice. Explain what influenced you to buy the product.
- 11 List three products available today that are thought to be harmful to the environment. What are the alternatives to purchasing these products?

COMMUNICATE

- 12 Design a pamphlet aimed at 15-year-old students explaining the importance of making wise consumer decisions. You may wish to use desktop publishing software to present the pamphlet with text and graphics.
- 13 In groups of five or six, create a one-minute play using mime to explain the importance of recycling. Present your mime to the class.
- 14 In groups of four or five, discuss how advertising may influence consumer decision making. Summarise the views of the group as dot points in a PowerPoint presentation.
- 15 As a class, brainstorm the decisions a person might need to make when buying a new car. Classify each decision according to the types outlined in this section.
- 16 In groups, list and discuss the decisions involved in buying only Australian products. Choose a spokesperson to share the group's comments with the rest of the class.

INVESTIGATE

- 17 Use the library and the Internet to research and report on the changes in the labour force over the last 30 years. For example, research the changing proportion of women in the labour force, and the number of people under 20 and over 60. Use a word processing or spreadsheet application to present your research findings.

Comparison shopping

It is Toni's first experience of a department store stocktaking sale. A crowd of shoppers rummages through a large box of CDs and DVDs. Everything is labelled 'SALE' and 'HUGE REDUCTION'. Caught up in the atmosphere, Toni heads to the electronics department where she buys a digital video camera.



The excitement of a sale can lead to impulse buying.

When she unpacks her purchase at home, Toni begins to feel annoyed with herself. She spent \$1575.00 in less than 20 minutes. The camera has only a very basic special effects facility, the battery has a 10-hour recharge time and the controls are difficult to operate. She thinks, 'Why did I rush into buying this camera?'

Have you bought something on the spur of the moment without shopping around and later wondered why you bought it at all? Or have you seen the item for a cheaper price at another store? We can all fall victim to the temptation of impulse buying. This means buying something without giving much thought to whether you really need it and failing to shop around to compare prices.

comFACT

Many Australian families spend up to 40 per cent of their disposable income at the supermarket each week. Therefore, comparing grocery prices can save a family quite a lot of money over time.

Most goods and services are available from more than one **retailer** (a retailer is a person or business that sells directly to the consumer). Often the same product costs different amounts at different stores. Shopping around to obtain the best deal is referred to as **comparison shopping**. When making a major purchase, it is essential you compare the price, quality, availability and after-sales service. Some stores advertise they will 'not be undersold'. If you know the cheapest price in the marketplace, you are in a better bargaining position. If the prices are almost identical in all stores, the most conveniently located store or the one you are familiar with is probably a wise choice. If there is a lot of difference in the prices, the cheapest product may not always be the best buy because it may be of inferior quality and consequently not last as long as more expensive items. The more you know about the items you intend to buy, the better shopper you will be.

Carry out a comparison shopping survey using catalogues, the Internet, advertisements, specialist magazines such as *Choice*, the telephone and store visits. This will help you to avoid impulse purchases.



There are many different ways to compare products and prices.

If Toni had decided to shop around for a digital video camera, here is what she would have found.

Types of goods and services

There are many different types of goods and services and we buy them for a range of reasons; for example, consumables, household goods, luxury items, repair services or information services. (What type is a digital video camera?)

Some types of shop are cheaper than others. For example, department stores (Myer), discount variety stores (Target and Big W) and large specialty stores (Recreation and Betta outlets) are usually cheaper than small, independent retailers because larger stores can carry more stock. However, most small retailers focus on high levels of assistance and after-sales service.

Different brands and products

Some brands are cheaper than others. Well-known, highly reputable brands tend to be more expensive than those brands that are not well known. However, this does not always mean that a cheaper product is of inferior quality although, generally, expensive products are better quality and will last longer. When you buy a product, you need to think about its quality as well as the price.

Choosing what to buy

Do not be pressured into buying something quickly. Making a quick decision will usually result in you wasting your money. Purchases made on the spur of the moment can often turn out to be unsatisfactory. You may be left with a product which does not meet your requirements and which you may never use.

To help her make wise decisions in future, Toni draws up the following ten rules for comparison shopping. Keep these in mind whenever you go shopping.

1. Think carefully about what you want.	6. Compare after-sales service, warranties and guarantees.
2. Shop around for the best deal.	7. Do not sign anything you do not understand or a blank form.
3. Compare products in different shops.	8. Decide beforehand how you want to pay.
4. Investigate the product's features.	9. Shop around for the best credit deal.
5. Ask friends and sales staff for advice.	10. Keep all receipts and invoices.

Ten rules for comparison shopping

Activities

UNDERSTAND

- 1 What is meant by the term 'comparison shopping'?
- 2 List the sources you can use to undertake a comparison-shopping exercise.
- 3 Briefly outline the main advantages of comparison shopping.
- 4 Here are a number of strategies you can use to help avoid impulse buying. Copy each of them into your notebook and then explain how the strategy would help avoid falling into the trap of impulse buying.
 - (a) Prepare a shopping list.
 - (b) Compare different brands.
 - (c) Compare prices at different stores.
 - (d) Ask yourself, 'Do I really need this?'.

COMMUNICATE

- 5 Advise others of the advantages of comparison shopping by either:
 - (a) creating a collage poster, or
 - (b) preparing a PowerPoint presentation.
- 6 As a small group, undertake comparison shopping research to determine the best deal for a:
 - (a) DVD player
 - (b) 53 cm flat screen television
 - (c) microwave oven.
 Share your results with the rest of the class.

INVESTIGATE

- 7 As a class group, make a list of 20 grocery items purchased regularly and specify brand and size; for example, Sunblest white sliced bread, SPC Baked Beans (425 g). In groups of four or five, visit different supermarkets and note the prices for each of the products.

Use a word processing application or spreadsheet to create a table like the one below to compare the supermarkets' prices for the 20 products and then answer the questions that follow.

Grocery item	Supermarket A price	Supermarket B price	Supermarket C price
Sunblest white sliced bread			
SPC Baked Beans 425 g			

- (a) Which store was the cheapest overall?
- (b) Which store was the most expensive overall?
- (c) Would it be worthwhile shopping around for these grocery items?

WORKSHEETS

- 1.1 Why did I buy this?

Choosing where to buy

Range of locations and sources

Once you have decided *what* you want to buy, the next decision is *where* to buy the product. Once **manufacturers** have produced products, they are then usually distributed to **wholesalers**. The wholesaler buys large quantities, then sells smaller quantities to retailers. Wholesalers add their costs and a profit to the price they charge the retailer. The retailer then sells the products directly to the consumer. Retailers too add their costs and a profit to arrive at the recommended retail price. Consequently, if it is possible to buy directly from the manufacturer or wholesaler, you can usually get the products at a cheaper price.

Developments in transportation and technology, especially communications technology, have provided consumers with a wide range of locations and sources from which to purchase products (see diagram below).

The type of product to be purchased will usually be the main factor influencing both location and source decisions. For example, we normally purchase everyday products such as foodstuffs at a local supermarket. We buy clothing at a department store, discount variety store, specialty store, through party plan or, for one-off creations, at a local market. We might buy a CD no longer available in Australia over the Internet from a retailer located in another country.

Each type of location and source has advantages and disadvantages for consumers. Usually, where to shop will be a matter of individual choice. One consumer might be prepared to travel some distance to shop at a specialty store where the range may be more selective, while another consumer might prefer to shop at the local mall. The local shopping centre might be the only option for some groups who are unable to travel far or who do not have Internet access; for example, the elderly.

Types of retail outlet

While retailing has become much more complex and sophisticated in the twenty-first century, the basic idea has not changed. Buyers and sellers still come together in a marketplace and products are exchanged for money.

There are six main types of retail outlet.

1. **Convenience 'corner' stores.** These stores were once located in residential areas but are now commonly attached to service stations.

Convenience stores sell a variety of products, concentrating on food items, magazines and newspapers. Prices at these stores are usually higher than supermarkets and there is generally less choice available. However, they are convenient.



Range of locations and sources that consumers can access to purchase products

2. *Specialty stores.* Hairdressers, newsagents and gift shops are examples of specialty stores. They specialise in either one type of product or service or a limited range of a few products. Some specialty stores are part of a larger franchise chain such as Brumby's and Dymocks.

The main advantage of purchasing from a specialty store is the service and product knowledge provided by the sales staff.



Sanitty — a specialty store

3. *Department stores.* Myer and David Jones are two well-known examples of retail department stores. These stores sell a large range of products within the one store. Because they buy in bulk, their prices are often cheaper than at specialty stores. However, because they offer some sales assistance on the shop floor, their prices tend to be higher than those of a discount variety store.



A department store offers the convenience of one-stop shopping.

comFACT

An average hypermarket has up to 100 checkouts and 90 to 100 aisles. They stock over 60 000 items compared to a supermarket, which stocks approximately 14 000.

4. *Discount variety stores.* These stores are of a plain design and offer basic customer service. Their products are normally cheaper than those of department stores. Kmart, Target, Big W and Crazy Prices are all examples of this type of retailing.



Discount variety stores attract a large number of customers because of their convenient location, large range of stock and cheaper prices.

5. *Supermarkets.* These are large, self-serve stores such as Woolworths, Aldi and Coles. Originally selling only food items, they are now becoming more like discount variety stores, offering a large range of items for sale. Some supermarkets that have expanded to sell an even larger range of products have evolved into hypermarkets.

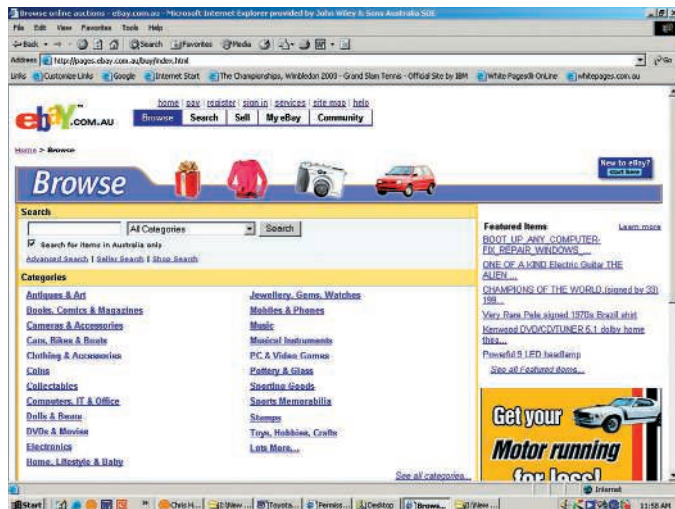


Supermarkets sell a wide range of goods.

6. *Internet shopping.* Using the Internet for shopping is becoming more popular, especially among the 14–25 year age group. Consequently, the nature of retail may change over the next decade as traditional retailers are bypassed and more consumers are able to access the Internet.

Internet purchasing

The World Wide Web is revolutionising the way people shop. With a personal computer connected to the Internet and a credit card, the whole shopping experience is available to you at home and people can buy almost anything from anywhere in the world.



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The Internet is changing the way consumers shop.

The main advantages associated with this type of purchasing are:

- an increase in the range of sources from which you can buy
- comparison shopping can be done from the comfort of your home and at a convenient time.

However, there are a number of disadvantages of Internet shopping, including:

- a website may not be permanent and tracing the owner if anything goes wrong may be impossible
- a delivery charge must be added to the price
- the return of a faulty product will take time and effort
- supplying credit card details can be risky unless the site is secure, that is, personal information is coded.

Mail order

Mail order is a system of shopping in which the consumer completes and posts an order form, usually from a magazine or catalogue, and receives products through the mail.

The advantages of mail order shopping include:

- the range of products often not available in retail stores
- the convenience for consumers with a handicap or those who live in remote communities.

However, there are a number of disadvantages associated with this type of purchasing, including the risk of:

- losing money if a business does not send the product
- products being different in reality from the way they appear in the catalogue
- problems tracing a business which only uses a post office box number if a refund is required.

The electronic version of a mail order catalogue is a cable television channel dedicated solely to showing product demonstration commercials. Home-shopping using interactive television, your personal computer and credit card is becoming more common. Watch the screen, press a button to indicate a purchase, enter your PIN and account number and the products will be delivered today!

Buying locally, regionally, interstate and globally

The type of good to be purchased is often the main factor that influences where people shop.

1. **Locally.** The local convenience store or shopping arcade, containing a takeaway, newsagent and possibly a fruit and vegetable store, will frequently be used by consumers who live nearby. People travelling to and from school or work often shop here because of its convenient location. However, their purchases are restricted to only a few basic items. For a larger variety of goods, they will need to shop at a regional centre.
2. **Regionally.** Department stores, discount department stores and supermarkets are often located in large regional shopping complexes, such as Westfield Shopping Centres, and surrounded by numerous specialty stores.



A large regional shopping centre

The stores are located under the one roof, air-conditioned for consumer comfort and, most importantly, provide plenty of parking. Often cinemas and food halls are part of the shopping complex. Customers from the surrounding region travel to these complexes.

3. *Interstate or globally.* Occasionally it may be necessary to purchase goods from another state or country using mail order or the Internet. This is because the business is located in another state or country and does not distribute its

goods through a retailer. For example, many small, family-owned wineries only sell their wines either at the vineyard or via the Internet. If a consumer wants a specialised good, then this is the only method of purchasing it.

Activities

UNDERSTAND

- 1 What is the difference between a 'manufacturer', a 'wholesaler' and a 'retailer'? Draw a flow diagram to show the distribution process described at the top of page 10.
- 2 Explain why it is sometimes cheaper to buy from a manufacturer or wholesaler than a retailer.
- 3 List one advantage and one disadvantage of buying goods from each of the five different types of retail outlet.
- 4 List the advantages and disadvantages of buying on the Internet.
- 5 Tamzin decided to purchase a Discman she saw advertised on an interstate electronic company's website. The price was \$185 (including postage and packaging). She completed the credit payment details and emailed her order.
 - (a) What extra charges are included in the cost of the Discman?
 - (b) What should Tamzin have done locally before purchasing off the Internet?
 - (c) Explain how Tamzin is at a disadvantage if the Discman is faulty.
 - (d) Why should Tamzin keep a record of:
 - (i) the order?
 - (ii) the retailer's address details?

Compare your answers with those of other members of the class.
- 6 Collect three mail-order catalogues. Paste the order forms into your notebook and then answer the following questions about each catalogue:
 - (a) Is the order form easy to understand or confusing?
 - (b) What do the letters 'p & p' mean?
 - (c) Would you purchase the goods being advertised? Why or why not?
- 7 Examine the diagram entitled 'Range of locations and sources that consumers can access to purchase products' on page 10. Name a real-life example of each type of retail store and non-store retailer.

COMMUNICATE

- 8 In groups of three or four, discuss the following statement: 'Home shopping via the television or the Internet makes it more difficult to be a wise consumer'. Choose a spokesperson to share the group's comments with the rest of the class.
- 9 Prepare a 60-second commercial aimed at 15-year-old students who are thinking of using

the Internet to purchase some products. Highlight the possible risks involved in this method of shopping. Use a video camera if available, or compose a storyboard describing what happens in each frame of the commercial.

INVESTIGATE

- 10 Conduct a survey of class members to determine how often they visit each of the different types of retail store within a one-week period. Rank the different purchasing options from most to least frequently visited.
- 11 In groups of three or four, survey ten people to determine the factors that influence them to shop at a particular type of retail outlet (store and non-store). Your survey form could be similar to the following. The first response has been included for you.

Goods	Where purchased (type of retail outlet)	Reason for selecting this outlet
1. Groceries	Supermarket	Convenience, cheap prices, wide variety
2. Magazines 3. Household electrical appliances 4. DVDs 5. Clothing 6. Fruit and vegetables 7. Books		

What generalisation can you make about people's shopping habits based on these results?

- 12 Compare the prices of a wholesaler and a retailer on a range of similar brand household electrical appliances. What generalisations can you make about price variations based on your evidence?

E-LEARNING

- 13 Imagine you are a reporter for a daily newspaper. Your editor has asked you to review an Internet shopping site. In your article, refer to the ease of navigating the site, the consumer guarantee, credit card security measures and the refund policy. To help you, go to www.jaconline.com.au/commerce, click on weblinks and click on the Amazon link for this textbook.

WORKSHEETS

- 1.2 Product website search



Key factors affecting consumer decisions

All consumers have individual wants. Therefore, what people buy varies from one person to another. For example, if you asked each class member what she or he wants, the responses would reveal a wide variety of goods and services. One or more of the following factors will influence spending decisions in some way: finance, price, marketing, age, gender, convenience and service. Environmental factors should also be considered when making decisions. Let us look at each of these factors.

Service

Good pre-sales and after-sales service makes you feel you are a valued customer and, consequently, you will keep buying that product or going back to a particular store. Poor service can have the opposite effect.

Price

How much is it? This is usually one of the first things you want to know. If the price of a good is more than you can afford, you will probably not buy it. Consumers want the best value for their money: that is, they want to pay the lowest price for the best quality. Price is one of the main factors affecting consumer decisions.

Key factors affecting consumer decisions

Convenience

Many consumers do not have a lot of time to shop. They want shopping to be hassle-free, or convenient. Convenience has many meanings for consumers, such as travelling time to a retail outlet, the number of stores located within one shopping complex or suitable shopping hours. These factors will influence when, where and what consumers buy.

Age

As a baby, you most probably wanted a toy or rattle. Now you are a teenager, you may want a mobile phone. By the time you are 18, a car becomes an important want. Later on, you might wish to buy a place to live in and when you are older and have retired, you may want to go on a world trip. Our wants change over time.



Marketing

This plays an extremely important role in influencing our consumer decisions. As consumers, we are constantly exposed to all aspects of marketing. The average consumer is exposed to an estimated 500 marketing strategies (mainly some form of advertising) every day. New products are released onto the market and advertised. If the marketing campaign is successful, consumers will be influenced into thinking they need this product.

Gender

Males and females have a number of common wants, such as entertainment, music and a car. However, a person's gender influences some types of purchase. For example, female consumers spend more on cosmetics than males. The influence of gender on consumer decisions is best displayed by the products advertised in catalogues for Mother's Day and Father's Day: mum gets the iron and dad gets the cordless drill!

Finance

There will be times when the price of a good is more than the amount of cash you have available, such as when you purchase a home or car. After careful consideration you might decide to take out a loan — organise finance — to purchase the good. The cost of the borrowed money, the **interest** rate, and the ease with which the finance can be arranged will influence your spending decisions.

Environmental

With increasing community awareness of environmental pollution, many consumers are becoming more aware of the problems caused by throwaway packaging. You therefore may be influenced to purchase a product that has minimal packaging or packaging that can be recycled.

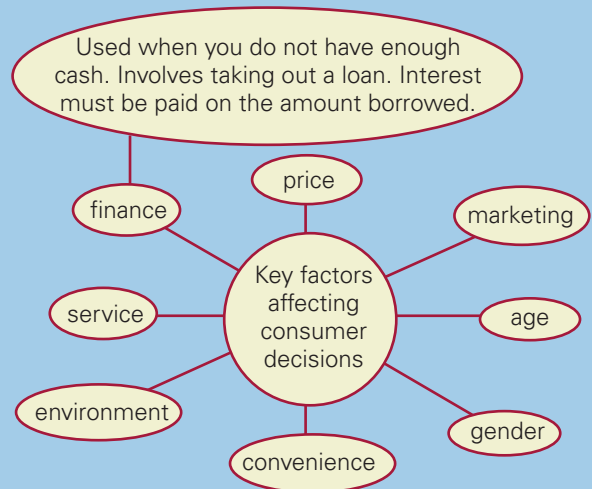
Activities

UNDERSTAND

- 1 Survey the members of your family for instances when they have been influenced by each factor in deciding on a purchase. Use a table similar to the following example to present your information.

Factor	Consumer decision
Finance	My older brother purchased his first car through a loan with his bank because the interest rate was lower than other banks and he had been a customer for several years.

- 2 What problems does 'over-packaging' create for the consumer and the environment?
- 3 Add elements to the mind map below to summarise the factors affecting consumer decisions.



COMMUNICATE

- 4 In groups, discuss why some consumers are prepared to pay a high price for a product while other consumers would not buy the product even if the price was low. What does this tell you about the relationship between price and customer tastes and preferences? Choose a spokesperson to share the group's comments with the rest of the class.
- 5 (a) In pairs, debate the following topic: 'Advertising is the most important factor affecting consumer decisions'. One person presents the affirmative case and the other person the negative case. Each person writes the key points for their case.
(b) Divide the class into two groups, those for the affirmative case and those for the negative case. Each group is to refine their arguments before a spokesperson presents the group's comments.

WORKSHEETS

- 1.3 Supermarket shopping — the hidden persuaders
- 1.4 Key factors influencing consumer decisions

The need for consumer protection

Most consumers know what it means to be given 'a fair go'. It means being treated justly and honestly. For example, when you buy a product it should be of good quality, a sales assistant should not give you misleading information and once you have signed a contract all parties must abide by the terms and conditions.

Businesses have an obligation to act ethically: that is, to conduct their operations in a fair and morally right manner. Occasionally, however, consumers are not given a fair go in the marketplace. Not everyone is treated justly and honestly nor are all business practices ethical.

It is for this reason the state and federal governments have passed laws that are designed to protect consumers in the marketplace. Two important pieces of protective legislation are the Fair Trading Act 1987 (NSW) and the *Trade Practices Act 1974* (Cth).

Scams and rip-offs — unconscionable conduct

Under the Fair Trading Act, an **unconscionable act** by a seller is any practice that is just not reasonable, such as **scams** and **rip-offs**. It is an act that is illegal. The majority of retailers understand that it is in their interest to have a fair and honest relationship with their customers. However, some traders act in such a way so as to gain an unfair advantage over the unsuspecting consumer. Some of the more common unfair scams and rip-offs include:

1. **Referral selling:** This illegal technique offers the consumer a 'special deal' if she or he buys the product and then supplies the names of potential customers to the trader. The 'special deal' usually takes the form of a discount or commission, which is not always paid.
2. **False and misleading advertising:** Of all the unfair trading practices, false or misleading advertising can be the most serious because of the influential nature of advertising. Even though the Trade Practices Act makes false or misleading advertising illegal, there are still a number of methods used. Two of the most common false and misleading advertising techniques are:
 - **Bait and switch advertising.** This involves advertising a few products at reduced and, therefore, enticing prices to attract customers. When the advertised products quickly run out, customers are directed to higher priced items
 - **Misleading advertising.** Some advertisements use words that are deceptive or claim that a

product has some specific quality when it does not. Such actions convey a false impression of the exact nature of the product. As well, price reduction, specials or free-gift offers must all be genuine.

3. **Unordered or unsolicited goods:** This practice involves sending unordered goods through the mail and then demanding payment for them. The Fair Trading Act protects you from having to pay for these goods. You should write to the trader, explaining where the unordered goods can be picked up. The goods become your property after one month of mailing the letter. If you do not write, then the goods become your property after three months. You must not use the goods during this period.
4. **Special prizes and offers.** You open the letter and read that you have been 'carefully selected' from a large number of people. As well, you scratch the prize coupon to discover you have won a 'mystery' prize. When you go to collect your



skillBOOSTER

Analyse a cartoon

Consumer protection legislation makes it illegal to use deceptive or misleading advertising. However, the cartoon below suggests that such practices still occur. Study it carefully. It seems simple, but it provides quite a lot of information.

- (a) Who do the figures represent?
- (b) Look for clues in the way they are drawn. Do any details emphasise that the consumer is being misled?
- (c) Look at the position of the figures and their body language. Does one seem to have more influence than the other? Why?
- (d) What is the overall message of the cartoon?



prize, you are told you can only receive it if you purchase a certain number of goods. As a consumer you should be careful of any deal that involves free gifts, prizes, lucky numbers or 'free deals just for you'.

5. *Get-rich-quick schemes.* In this type of scam, a letter or email arrives offering you the chance to participate in the transfer of money from another country. For your help, you will receive a percentage of that amount. However, you are required to supply your bank account details for the transaction to occur, giving the scammer the opportunity to steal your money.
6. *Pyramid schemes.* The chain letter is the most common form of this type of scam. You are required to pay a joining fee with the opportunity of earning quick and easy money as you recruit new members. However, most participants will lose their money.

comFACT

In order to prevent these kinds of unconscionable conduct, The Australian Association of National Advertisers (AANA) has adopted an 'Advertisers Code of Ethics'.

The purpose of the Code is to 'ensure that advertisements are legal, decent, honest and truthful and that they have been prepared with a sense of obligation to the consumer and society and a fair sense of responsibility to competitors'.

The ethics of selling

The majority of people who work in sales and marketing are trustworthy, honest and uphold the ethical standards of their industries. Ethics are the standards of conduct and moral judgement that society expects of individuals and organisations when they engage in selling or other business practices.

Consumers do, however, need to be aware of possible unethical techniques so they can protect themselves from such practices. Some groups are particularly vulnerable, for example:

- Consumers whose first language is not English may not understand documents or be able to check what they are paying for or signing.
- The elderly or people who are not strong, physically or emotionally, may be at risk from unscrupulous salespeople who could take advantage of their situation.
- People who are sick may be susceptible to advertising for unproven medical 'cures'. As stated on the Scamwatch website: 'Medical scams are particularly nasty because they usually increase health and emotional stress, are costly, and can be dangerous if they prevent you from seeking expert medical advice'.

In extreme cases, unethical practices can put people in physical danger and such cases should always be reported and the law enforced. For example, section 60 of the Trade Practices Act states that: 'A corporation shall not use physical force, undue harassment or coercion in connection with the supply or possible supply of goods or services to a consumer or the payment for goods or services by a consumer.'

Activities

UNDERSTAND

- 1 Unscramble the following words and then use each one in a sentence to explain its meaning.
 - (a) rfai og
 - (b) arif giatdrn tca
 - (c) anunooclecbisn cdnoctu
 - (d) tbai nda htwsci
 - (e) dlienasmgi vtseagndrii
- 2 Write a brief report about a scam or rip-off in which either you or a member of your family has been involved.
- 3 Draw a series of comic strips to show what happens when a bait and switch scam occurs.

COMMUNICATE

- 4 In groups of three or four, brainstorm the ethical issues involved in misleading and deceptive advertising. Share your responses with the rest of the class.
- 5 Sort the following list of qualities or practices into two columns headed 'ethical' and 'unethical'. In groups, choose one ethical and one unethical quality or practice and devise a roleplay for each, based on consumer and sales situations. Perform the roleplays for the class.

Responsibility
Aggression
Honesty
Reputation
Greed
Credibility
Dishonesty
Confidence
Intimidation
Deception
Trust
Intrusion
Harassment
Integrity

E-LEARNING

- 6 To find out more about scams and rip-offs, go to www.jaconline.com.au/commerce, choose weblinks and click on the Federal Government's 'Scamwatch' site link for this textbook.

WORKSHEETS

- 1.5 The art of persuasion

Features of a simple contract

Suppose you buy a drink at the canteen. You hand the seller the money and she or he gives you the drink. In this situation, you and the seller reach an *agreement*. The seller



agrees to supply you with a good at a certain price and you agree to pay that price. Another word used to describe an agreement is a contract.

As a consumer, you enter into hundreds of contracts each year.

Every consumer transaction involves a contract.

What is a contract?

A contract is a legally enforceable agreement between two or more persons or parties. The contract outlines the details of the agreement and the *rights* and *responsibilities* (*obligations*) of each of the parties.

A contract is most often an oral (verbal) agreement. Agreements that involve large sums of money, such as when buying a house, are usually put in writing. Some contracts are implied; that is, their actions indicate that a business transaction is about to take place. For example, when you board a bus, this action implies you will pay to ride and the bus driver, by accepting your fare, agrees to provide the service.

Elements of a contract

Three essential elements make a contract legally binding: the offer, the acceptance and the consideration.

1. **Offer.** An **offer** is a proposal. It involves one of the parties offering something of value (for example, money) to the other party in the agreement. The person making the offer (*offeror*) must clearly communicate their intention to the other party (*offeree*).

Many consumers think that when a business displays items in the store or advertises something in a catalogue, the business is making an offer to sell. It is not. What appears to be an offer is in fact an *invitation to treat* and the business does not legally have to sell the good. The consumer makes an offer to purchase. The offer can be either accepted or rejected by the retailer. This applies to self-service situations particularly. In the canteen example, you make the offer to purchase the drink.

caseSTUDY

Pharmaceutical Society of Great Britain v Boots Cash Chemist Ltd (1953)

This English legal case was the first to decide that the customer offers to purchase the goods when she or he takes them to the checkout. The customer's offer could be refused here, so a contract of sale exists the moment the checkout operator accepts the offer.



The three elements of a legally binding contract

2. **Acceptance.** An **acceptance** occurs when the offeree agrees to the proposal. This involves either a written or oral statement or an act that clearly communicates acceptance of the offer, such as a shake of the hand. In the canteen example, the seller accepts your offer to purchase when she or he hands you the drink.

caseSTUDY

Carlill v Carbolic Smoke Ball Co. (1893)

In this famous example of a contracts case, the manufacturers of a flu cure promised to pay 100 pounds (\$200) to anyone who caught the flu after using the company's Carbolic Smoke Ball. This offer appeared in a newspaper advertisement.

Mrs Carlill bought the remedy from a chemist and used it as directed. However, she subsequently caught the flu.

The company argued there was no contract between Mrs Carlill and themselves as no offer was made because it was only an advertisement. The company also claimed that an offer cannot be made to the world at large.

Mrs Carlill won because the court decided the act of using the smoke ball was an acceptance of the company's offer. It also established the fact that an offer can be made to the general public.

CARBOLIC SMOKE BALL
WILL POSITIVELY CURE
COLD, CROUP, BRONCHITIS, INFLUENZA, HOARSENESS, LOSS OF VOICE, SORE THROAT, SORE EYES, HEADACHE, RHEUMATISM, RASH, SCURF, ITCHING, AND ALL THE DISEASES MENTIONED ABOVE PREVENTED FROM BEING CAUSED BY THIS REMEDY.

£100 REWARD
WILL BE PAID TO THE
CARBOLIC SMOKE BALL CO.
INFLUENZA,
£1000 IS DEPOSITED
WITH THE ATTORNEYS, BAKER STREET, LONDON, W.1.

THE CARBOLIC SMOKE BALL,
TESTIMONIALS.
AS SUPPLIED BY
H.M. THE GERMAN EMPRESS.
TERTIUM QUALE.

Our CARBOLIC SMOKE BALLS will last at least several months, making it the cheapest remedy in the world as the price is 10s. per box.
The CARBOLIC SMOKE BALL can be ordered, when empty, as a sort of tea, just free.
CARBOLIC SMOKE BALL CO., 27, PRINGES ST., HANOVER SQ., LONDON, W.

The advertisement that Mrs Carlill responded to when she purchased a Carbolic Smoke Ball

comFACT

If an incorrect price tag is attached to a good, the seller can refuse to sell the item.

3. **Consideration.** **Consideration** is the final essential feature required to form a valid contract. This stage requires each party to the agreement to give up something of value. Consideration can take the form of a sum of money paid, or the promise to do something. In the canteen example, you give up your money and the retailer gives up the bottle of drink.

caseSTUDY

Chappell & Co. v Nestlé Co. Ltd. (1960)

Sometimes the nature of consideration is not so straightforward. In this case, Nestlé offered a cheap music record to customers who sent them a small amount of money plus six chocolate wrappers. These wrappers, while of no real value, were determined by the court to be sufficient consideration for a contract to exist. It decided that something had been passed from one party to the other.

Activities

UNDERSTAND

- 1 What is meant by the term 'contract'?
- 2 Identify the three elements of a valid contract.
- 3 Explain the significance of each of the legal cases outlined on these pages.
- 4 Describe two contracts you have made recently and then answer the following questions about each one.
 - (a) Was the contract oral, written or implied?
 - (b) Who were the parties in the contract?
 - (c) What consideration was given by the parties?
- 5 Examine the following hypothetical cases. State whether or not you think a contract exists. Discuss the legal reasoning behind your decision. Share your answers with the rest of the class.
 - (a) Gemma offers to buy Zara's laptop computer for \$850. It is agreed they will make the exchange when Zara delivers the laptop to Gemma's house. Once there, Gemma says she is no longer interested.
 - (b) Hamaub agreed to sell his car to Colleen for \$10000. The agreement was written and signed by both parties, at which time Colleen paid Hamaub a deposit of \$1000. Two days later, Colleen changed her mind and wanted her deposit back.
 - (c) An art dealer mistakenly attached a price tag of \$100 to a painting that was worth \$1000. A customer offered to buy the painting for \$100.
- 6 'Oral contracts are not worth the paper they are written on.' What is meant by this expression?

Legal rights and protective legislation for consumers

Legal rights

Consumers have four basic rights. These are:

1. *Safe products.* Directions for proper use are provided and products are tested by the manufacturer to ensure product quality.
2. *Accurate product information and descriptions.* Ingredients are clearly labelled on food containers.
3. *Full disclosure of the terms of sale.* The full price is always displayed, especially on any credit contracts.
4. *Warranties and guarantees are honoured.* Customers can expect a refund or exchange if the product is faulty.

Protective legislation

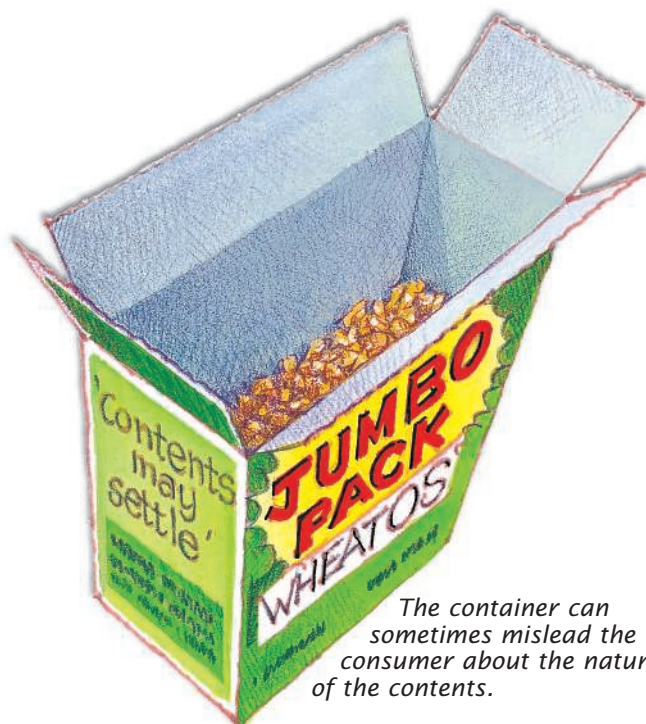
As was previously explained, both state and federal governments over the years have passed legislation (laws) that relates specifically to the marketplace.

The laws protect consumers by giving them some basic rights. The two main marketplace laws are:

1. *Trade Practices Act 1974* (Cwth). This federal Act applies mainly to the business behaviour of companies. The Act has two major purposes:
 - To protect consumers against undesirable business practices, such as misrepresenting the contents of products, their place of manufacture or the products' characteristics.
 - To regulate certain trade practices that restrict competition, hence the term 'restrictive trade practices'. These business practices can severely limit the rights of consumers.
2. *Fair Trading Act 1987* (NSW). This state Act applies to individuals, as opposed to companies, who supply goods and services. The Act prohibits:
 - misleading and deceptive conduct
 - unconscionable (unreasonable and unethical) conduct
 - false claims regarding goods and services
 - unfair trade practices.



Consumers are now protected, under the Trade Practices Act, against misleading advertising or false claims on the part of the business.



The container can sometimes mislead the consumer about the nature of the contents.

As we have seen on pages 16–17, of all the unfair trading practices, false or misleading advertising can be the most serious because of the influential nature of advertising. Even though the Trade

Practices Act makes false or misleading advertising illegal, there are still a number of methods used by some retailers. The most common are:

- *Fine print.* Important conditions are written in a small-sized print and are, therefore, difficult to read.
- *Before and after advertisements.* Consumers may be misled by 'before' and 'after' advertisements where the comparison is distorted so that 'before' images are worsened and 'after' images enhanced.
- *Tests and surveys.* Some advertisements make unsubstantiated claims; for example, stating '9 out of 10 people' prefer a product when no survey has been conducted.
- *Country of origin.* Accuracy in labelling is important; for example, 'made in Australia' and 'product of Australia' have two distinct meanings.
- *Packaging.* The size and shape of the package may give a misleading impression of the contents.

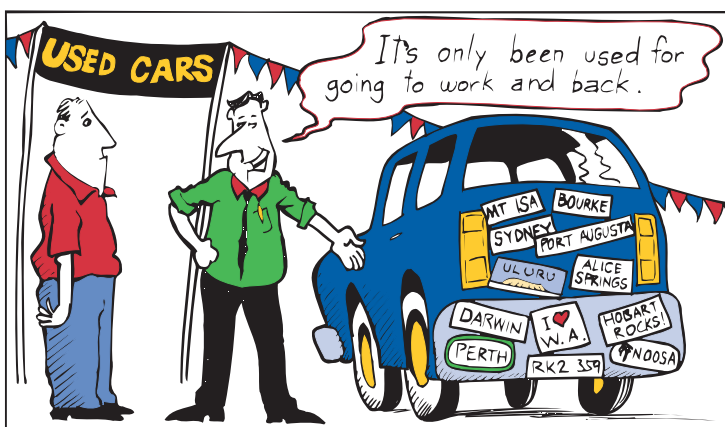
comFACT

Under the Fair Trading Act, the Minister for Fair Trading has the power to order the recall of unsafe goods.

Implied conditions

Implied conditions or terms are the unspoken and unwritten terms of a contract. These conditions are assumed to exist, regardless of whether they were especially mentioned or written into a contract. The two most important implied terms relating to customer purchases refer to the merchantable quality and fitness of purpose of the product.

- Merchantable quality means that the product is of a standard a reasonable person would expect for the price. Merchantable quality applies to most consumer contracts.
- Fitness of purpose means that the product is suitable for the purpose for which it is being sold.



It is misleading to suggest that a product has certain characteristics when it does not.

That is, it will perform as the instructions or advertisement imply.

The law prohibits a retailer from claiming that a product has a particular characteristic that it does not have. It is illegal, for example, to say that a motor vehicle has never been used as a taxi or that it has only been used for short trips when this is not the case.

Caveat emptor

Even though there are many laws to protect you as a consumer, you are the one who has to accept most of the responsibility when you are buying something. The legal term for this is **caveat emptor**, which is Latin for 'let the buyer beware'. The seller does not have to tell you everything about the goods for sale. As a general rule, buyers purchase goods at their own risk.

If you buy a pair of home cinema speakers without listening to them, and when you get them home, find they are not as good as you thought they would be, you cannot ask for a refund or cancellation of the contract. You gave up the chance to hear them, so there is no one to blame but yourself.

Activities

UNDERSTAND

- 1 Identify the four basic rights of consumers.
- 2 What are the two main aims of the Trade Practices Act?
- 3 What is the name of the New South Wales legislation that provides some protection to consumers?
- 4 Using an example, outline the difference between 'merchantable quality' and 'fitness of purpose'.
- 5 In each of the following examples, state whether there has been a breach of the Trade Practices Act.
 - (a) A company advertises a particular brand of television and states that it is at a cheaper price than a competitor. This statement is false.
 - (b) A company advertises jumpers and claims that they are made in Australia when in fact they are made in Hong Kong.
 - (c) A company advertises that a special deal is only for one week when in fact it plans to extend it for two months.

COMMUNICATE

- 6 Design a poster highlighting a consumer's basic rights. You may wish to use computer graphics software to design the poster. Display your posters in the classroom.
- 7 Create a rap song explaining the meaning of 'caveat emptor' and describing a situation in which it applies.

WORKSHEETS

- 1.6 The unfinished script

Organisations that provide assistance for consumers

A number of public and private organisations have been established to help consumers resolve their complaints and provide advice about consumer-related matters.

State government

The Office of Fair Trading is the NSW consumer protection agency. It provides information and assistance to all consumers on areas such as consumer issues, credit protection, home building and motor vehicle sales. The department has the responsibility for:

- assisting consumers to resolve their complaints
- checking that products meet Australian safety standards. This applies to all products, from sunglasses to bike helmets and swimming pools
- ensuring that scales and scanners used to weigh and price products are correct. This applies to liquor measures in clubs and hotels, retail scales and petrol pumps
- informing and warning the community about dubious business practices such as scams and rip-offs.

Ombudsman

The word 'ombudsman' is based on a Swedish word meaning 'agent', someone who has the task of investigating and reporting on complaints. Originally, the Ombudsman's Office was set up to deal with consumer complaints about government departments. However, in the last few years, industry ombudsmen have been established to deal with disputes between consumers and specific businesses including finance, telecommunications and insurance.

comFACT

The Telecommunications Industry Ombudsman (TIO) provides consumer advice and a dispute resolution service for problems with telephone and Internet service providers.

Federal Government

There are two Federal Government commissions largely responsible for assisting consumers. They are:

1. *Australian Securities and Investments Commission (ASIC)*. This commission protects consumers

in the areas of investment, life and general insurance, superannuation, and banking (except lending) in Australia. The aim of ASIC is to assist in reducing fraud (scams and rip-offs) in financial markets and financial products.

2. *The Australian Competition and Consumer Commission (ACCC)*. This commission operates nationally for the enforcement and administration of competition and consumer protection laws. The ACCC is obligated to inform the public so that they are aware of their rights and responsibilities under the law. The ACCC takes complaints about the Trade Practices Act throughout Australia.



The logo for the ACCC is accompanied by the Commonwealth Coat of Arms.



Australian Competition & Consumer Commission

Independent organisation — the Australian Consumers' Association (ACA)

The Australian Consumers' Association (ACA) is Australia's largest consumer 'watchdog' organisation. It is independent, non-profit and not tied to any political party. When ACA was formed in 1959, there were no government consumer affairs departments and no laws governing fair trading.

Apart from its lobbying for the introduction and improvement of consumer legislation, ACA has conducted comparative tests on thousands of goods and services. The organisation also deals with consumer inquiries and investigates consumer complaints. The results of these tests, readers' letters and informative articles are published in their monthly magazine *Choice*.

ACA aims to provide consumers with information and guidance about goods and services. By providing this information, it helps consumers protect themselves and encourages them to lobby for their rights to adequate information and to adequate

resolution where products are unsatisfactory. By helping educate the public, as well as making consumers aware of their rights, ACA is assisting consumers to get better value for money.

Make the
smart choice

CHOICE helps you save money and get the best value for your dollar.

Subscribe to CHOICE and we'll send you **3 FREE** magazines.

Choice: independent information for smart consumers

The media

Current affairs television programs sometimes investigate consumer complaints about poor quality products, shoddy or costly repairs, poor service, or scams and rip-offs. The bad publicity often causes the business to resolve the problem. Some newspapers have regular columns providing consumer advice and letters from consumers outlining individual complaints. Radio stations, especially talkback programs, will provide an expert to discuss consumer issues or advise callers on a particular problem.

Activities

UNDERSTAND

- 1 List the government and independent organisations that provide assistance for consumers.
- 2 Choose one of the following and briefly outline how it assists consumers.
 - Office of Fair Trading
 - Australian Securities and Investments Commission
 - Australian Competition and Consumer Commission.
- 3 One important aim of ACA is to lobby on behalf of consumers to balance the influence of businesses. Explain what is meant by this.
- 4 In groups of three or four, determine which of the organisations mentioned in this spread would be best suited to deal with the following situations.
 - (a) Gina has a complaint regarding her telephone account.
 - (b) Tim wants to read a comparative test on digital cameras.
 - (c) Zachary believes the local butcher's scales weigh in the butcher's favour.
 - (d) Eva wants some advice about the Trade Practices Act.
 - (e) Caro thinks that his insurance policy contains misleading information.

COMMUNICATE

- 5 You have been asked by the local newspaper to write an article on the role of the ACA. Your article will appear in a special supplement dealing with consumer protection.
 - (a) Prepare your article exactly as you would like it published, using a desktop publishing program for layout if possible. Use your imagination and choose a thought-provoking headline.
 - (b) After you have prepared your first draft, confer with a partner to edit your article to publishing standard.
 - (c) Display the articles around the room.

INVESTIGATE

- 6 Arrange through your teacher or librarian for multiple copies of *Choice* magazine to be lent to your class or access the *Choice* website at www.choice.com.au. Choose a review of a product that interests you and read the article. Why is information like this useful for consumers?

E-LEARNING

- 7 To find out more about consumer protection, go to www.jaconline.com.au/commerce, choose weblinks and click on the Consumers Online, the Federal Government's 'one-stop-shop for consumer information in Australia', or the Office of Fair Trading link for this textbook.

The processes of consumer redress

As you walk into a store, you see two large signs which say, 'Sorry, no refunds' and 'Choose carefully, no exchanges'. Does this mean you could not get a refund or exchange if the good was faulty at the time of purchase, or it did not do the job you were told it would do, or it was incorrectly labelled?



Such signs are meaningless.

You take an electrical appliance to be repaired and the service person tells you that they will take all care but no responsibility. Does this mean that, if they accidentally drop your appliance and break it, there is nothing you can do about it? Have you ever bought a brand new item and it doesn't work, even though you followed the instructions carefully?

Remedies and their outcomes

Consumers have some basic rights. The signs referred to above are quite misleading. Under certain circumstances, a seller cannot refuse a refund or exchange. If the goods are different from how they are labelled, if they were faulty when manufactured or do not do what you were told they would do, then you can seek a refund or exchange. A repairer also may be liable for any damage that is caused if the service is not carried out with care and skill. Consumers can **redress**, or set right, the things that are wrong.

Although the majority of businesses treat their customers honestly and fairly, complaints occasionally arise. There are a number of procedures you can follow to redress the problem.

Once you have established that the problem has not been caused by a mistake on your part, contact the trader either by phone or in person. You may be required to put your complaint in writing. Explain the problem in a calm, logical but assertive manner. 'Losing your cool' tends to make a situation worse.

There are some important points to remember when making a complaint.

- If using the phone, always get the name of the person you are talking to.
- Keep a written record of all conversations and copies of letters.
- File any receipts, dockets or credit accounts to show proof of purchase.
- Return the faulty good promptly.
- If you leave the good with the trader, request a receipt.

Consumer, Trader and Tenancy Tribunal

If you have tried to redress the problem yourself and you are still not satisfied, then your next course of action is to contact your local Office of Fair Trading and seek advice. This will be an informal conversation where you can explain the circumstances of your problem. If you wish to take it further, you must now lodge a formal written complaint and ask the Office to negotiate or mediate on your behalf. The Office personnel will ask you to provide certain information and copies of any relevant documents.

The Office will make contact with the trader and attempt to reach an amicable solution. The Office will then contact you and inform you of the outcome.

If you are still not satisfied, you can lodge a claim with the Consumer, Trader and Tenancy Tribunal. This Tribunal was established in 2002 to help settle small disputes between consumers, traders and landlords. For general consumer matters, the Tribunal can only settle disputes where the claim is for less than \$25 000.

Whereas the Office of Fair Trading negotiates or mediates, the Tribunal arbitrates. This means their decision is enforceable by law; it is legally binding.

The meeting will be held within four to five weeks of the complaint being lodged.

The meeting is conducted in an informal atmosphere.

It is a closed hearing, that is not open to the public.

The referee will hear the claims put forward by both the consumer and the trader.

The referee tries to reach a settlement both parties are happy with.

Interpreters can be arranged free of charge.

Both parties conduct their own case without legal representation.

Consumer

Trader

The Consumer, Trader and Tenancy Tribunal can arbitrate on a dispute between two parties and the decision of the Tribunal is legally binding.

Activities

UNDERSTAND

- 1 List the important points you should remember when making a complaint to the Office of Fair Trading.
- 2 Explain what you must do to make a formal complaint.
- 3 'Sorry. No exchange/refunds.' Explain under what circumstances a sign like this is invalid.
- 4 You buy a CD without hearing it first. The disc is not faulty, but when you play it you realise you do not like the style of music. Are you entitled to a refund? Why or why not?
- 5 Explain why losing your temper when asking for a refund or exchange will only make the situation worse.
- 6 Imagine you buy a laptop computer and find it is damaged. The store owner believes you dropped it and should pay for repairs. Construct a flow diagram showing the steps you can take to make a consumer complaint. Briefly outline what occurs at each step. Alternatively, prepare this as a PowerPoint presentation.

COMMUNICATE

- 7 A consumer bought a pair of jeans. The label recommended 'machine wash and tumble dry'. The consumer followed the instructions but the jeans shrank. In groups of four or five, roleplay the scene where the consumer returns the jeans for a refund. Conduct the roleplay three times with the consumer adopting:
 - (a) a passive manner
 - (b) an aggressive manner
 - (c) an assertive manner.After the roleplay, list the strategies people used to be assertive.

E-LEARNING

- 8 To answer the following questions, go to www.jaconline.com.au/commerce, choose weblinks and click on the Consumer, Trader and Tenancy Tribunal (CTTT) link for this textbook.
 - (a) What types of matters does the CTTT handle?
 - (b) How much does it cost to make an application to the CTTT?
 - (c) How formal is the Tribunal?
 - (d) Will the Tribunal try to settle the dispute before making a decision?
 - (e) Who can appear at the Tribunal?

Payment choices

Michelle really likes the colour and style of the jacket on display. It is on special at \$125. She tries it on. A perfect fit! The decision to buy it is an easy one to make. After wrapping the jacket, the assistant asks, 'How would you like to pay for it?' This is an even more important decision.

Selecting the most appropriate method of payment is a decision that is made thousands of times every day by consumers in Australia.

A consumer can select from seven different methods of payment. They are cash, credit, direct debit, lay-by, cheque, EFT and book up.

Cash

This is the notes and coins (money) issued by the federal government. Consumers normally use cash to pay for relatively inexpensive items such as a newspaper, bus fare or soft drink. Consumers rarely use cash for expensive items such as a car or a house.

comFACT

Notes and coins are legal tender and must be accepted as payment for goods and services.

Credit

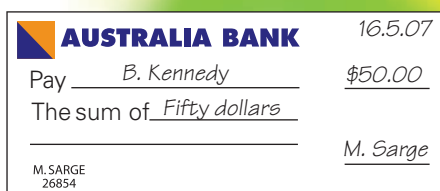
Credit is the supply of money now in return for the promise of paying it back later. Credit allows you to buy what you want immediately and pay for it later, either in full or in monthly payments. Because you

are using money you do not have, you will be charged interest for its use unless you pay the total balance back to the credit card company before the end of the interest-free period, usually one month.

Today's society has seen the introduction of many different credit facilities. Consumers have also changed their attitude toward using credit. Forty or fifty years ago, consumers saved their money and usually paid cash for goods. Consumers today are more willing to use credit than previously: buy now, pay later.



The major credit cards. Some cards, such as Visa-branded cards, can also be debit cards.



Your choice of a payment method can include these options.

Paying by credit card is convenient because it avoids having to carry around large amounts of cash, and the cards are accepted in many retail outlets. While it allows retailers and consumers to enjoy the benefits of 'buying now and paying later', care should be taken to avoid overspending. In addition, if the card is stolen, you must ring the bank immediately and cancel the card in case someone else tries to use it to purchase goods unlawfully.

Learning to use credit wisely is very important. Getting into debt can lead to many problems. You may end up losing your goods, being sued or even made bankrupt. Managing credit and debt is a necessary skill in today's complex commercial society. Whenever you use credit there is one important thing to remember: buy now, pay MORE later, unless you manage the credit carefully by repaying the total balance owing before the end of the interest-free period.

comFACT

Most credit cards that offer a reward scheme have higher interest rates and annual fees and shorter interest free periods.

Direct debit

Many consumers have bills that arrive at regular intervals such as telephone, rates, car insurance and so on. By using a direct debit system, you can schedule bill payments from your nominated bank account. The bank automatically withdraws (debits) the funds from your account and electronically transfers the funds to the business requiring

payment. It is a convenient method of payment that helps overcome the problem of forgetting to pay an account. Written notification terminating the arrangement may be made at any time.

Cheque

A **cheque** can be a convenient way of paying bills. A cheque is a written communication ordering your financial institution, called the **drawee**, to pay a person a specific amount of money. The person being paid is called the **payee**. The person authorising the transaction is termed the **drawer**. Cheques are issued in a numbered order, called a chequebook. Often a deposit book is included so that money can be paid into the account. This ensures that enough funds are available to cover all cheques. Sometimes people are allowed to write cheques greater than the amount in their account. This is referred to as an overdraft and must be arranged with the bank. A special rate of interest is charged daily on overdraft accounts.

The main advantages of paying by cheque are:

- safety — by making it a crossed, not negotiable cheque, only the person or business named on the 'Pay' line can cash the cheque
- up-to-date record — provided by completing the cheque butt
- can be posted — cash should never be sent in the mail as there is no record if it is lost or stolen, but a cheque can be cancelled
- convenient — avoids the need to carry large amounts of cash.

When writing a cheque, no blank spaces should be left before or after the amount. This prevents words or numbers being added later.

Payee – person or organisation being paid

Drawee – financial institution

Not negotiable – written between two parallel lines. This ensures the cheque can only be cashed or deposited by the payee.

Cheque butt

Amount in words

Date

Amount in figures

Drawer – the person writing and signing the cheque

Do not leave blank spaces.

BSB and account number

Signature

Cheque number

HOMETOWN BANK

Date 15/8/07

To: Ace Insurance

for: Premium

This cheque \$ 50.00

Forward \$ _____

Balance \$ _____

Pay Ace Insurance or bearer

the sum of Fifty dollars

\$ 50.00

KAREN SMITH

NOT NEGOTIABLE

Karen Smith

Drawer

264398

264398

1112 830 11

1124492035

A not negotiable cheque cannot be cashed by anyone other than the payee named on the cheque.

Lay-by

When you buy goods using a lay-by, you first pay a deposit and then the store puts aside the good for you. You then make regular payments over a fixed period of time. Unlike cash or credit card purchases, you do not take possession of or own the good until you pay off the last instalment owing.

If you cancel the lay-by before paying the full purchase price, the store must be notified in writing. The store is required, under the Lay-By Sales Act, to provide a refund after deducting storage, handling and depreciation costs. If you do not complete payment by the agreed date, the store can cancel the lay-by. After receiving written notification from the store, you have seven days to decide to either pay the full amount or receive a refund, less costs.

Lay-by is a good option when you want to secure something you desire. As there is no interest charged, it is a cheaper option than using a credit card.



Lay-by: paying for something by instalments

Electronic funds transfer — debit cards and BPAY

There is a great deal of difference between a debit and a credit card. With a credit card, you use other people's money and are charged interest. With a debit card, you are using your own money, by electronically accessing money already in your account. You pay no interest, only an account operating fee, and can spend up to your account balance. The most common way of using your debit card for purchases of goods is by **electronic funds transfer at point of sale (EFTPOS)**.

EFTPOS is a computerised system in which money is transferred from a consumer's account to the business's account. It is important that EFTPOS receipts are kept for checking against account

statements. Often businesses will also allow you to withdraw extra cash with EFTPOS.

BPAY® is another type of electronic payment method. This system uses the telephone or Internet to transfer funds from your cheque, savings or credit card account to the account of the business you wish to pay. First a consumer keys in a login and password to access their Internet or phone banking account. Then they enter the transaction details, including a special customer reference number written on the bill, to pay the bill from their bank account to the business's account directly.



Methods of electronic payment

Book up

Some stores operate a charge account where you can book up the amount owing. **Book up** is credit provided by a retailer so that you can purchase goods from the retailer's store and pay the account

caseSTUDY

Book up

Jill had been booking up items with a corner store. When she went to check how much her account was, she questioned why her bill was so high. The trader told her he had been letting her relatives book up on the account as well. Jill told the trader that she was not responsible for the items that she had not authorised. The trader said she was.

Jill told the trader that she gave approval for her daughter and aunty to book up the account. Jill was able to show the trader her copy of the letter she gave to him stating who could use the account. The trader still wanted the full amount owing from Jill.

Jill contacted the Office of Fair Trading to get information on how to solve the problem. A Customer Service Officer was able to help her resolve the matter with the trader. This was possible because Jill had kept all her receipts and the agreement she had with the trader.

*Source: NSW Office of Fair Trading factsheet
Book Up: What to look for.*

at a later date. Sometimes you will be asked to leave some form of security until payment is made for the goods. When you purchase the goods, the store should keep a record of how much you have spent. You must pay back this amount within a set period of time.

Tradespeople such as plumbers and builders usually have an account with a hardware supplier where they can book up materials and equipment. Indigenous communities living in remote locations also use book up because they experience difficulty in accessing alternative methods of payment.

The main advantages of book up are:


- you can purchase goods and pay for them later
- interest is not charged unless you apply for an extension of time
- you can spread your purchases over a week or fortnight.

However, there are some disadvantages including:

- retailers sometimes do not keep accurate records
- some form of security may be required
- unless you keep accurate records, you may over-spend
- charge accounts can only be used in that store.

Activities

UNDERSTAND

- 1 What is meant by the term 'legal tender'?
- 2 Why should credit be used wisely?
- 3 What are the advantages and disadvantages of using:
 - (a) a credit card?
 - (b) direct debit?
 - (c) lay-by?
- 4 The following questions refer to the cheque shown on page 27.
 
 - (a) Who is the drawer of the cheque? Who is the drawee?
 - (b) The payee's name is ...
 - (c) What is the number of the cheque?
 - (d) Suggest reasons why the amount for the cheque is written in words and figures.
 - (e) What effect do the words 'Not Negotiable' have on a cheque?
- 5 What do the letters EFTPOS represent?
- 6 What is the difference between a debit card and a credit card?
- 7 Identify the advantages and disadvantages of book up.
- 8 Draw a diagram showing what happens when a direct debit transaction occurs.
- 9 Prepare an overview or summary of the methods of payment referred to on these pages using the following plan. The first one has been done for you.

Methods of payment



Cash



- Using notes and coins (money) which is legal tender
- Normally used to pay for relatively inexpensive items.

Prepare similar summaries for credit, direct debit and lay-by

- 10 What method of payment would you prefer for the following purchases? Why?

- (a) A sports magazine
- (b) A monthly health insurance account
- (c) A DVD player
- (d) A house deposit
- (e) Groceries at a store in a remote community

- 11 What method of payment should Michelle (referred to at the beginning of this double spread) use to purchase the jacket? Justify your choice, and take into account the following factors. She has:

- \$364 in her savings account
- a credit card with a limit of \$500
- \$130 in her wallet
- a part-time job and earns \$135 per week.

COMMUNICATE

- 12 Set up a class debate to consider the following topic: 'Careless consumers and not credit are to blame for debt problems'. Share roles so that those not debating are involved either in assisting with research or in running the debate and keeping notes of the arguments on both sides.
- 13 Prepare a one-minute radio commercial explaining how consumers could better manage their credit. Record your commercial and play it back in class.

INVESTIGATE

- 14 In small groups, research the options that could be taken to improve financial services in remote communities. Present the group's research to the rest of the class using a software package to enhance presentation of information.
- 15 In small groups, prepare a list of local stores that offer:
 - (a) EFTPOS
 - (b) book up.
 Compile a spreadsheet to show the types of shop that offer these methods of payment.

WORKSHEETS

- 1.7 Give me credit!

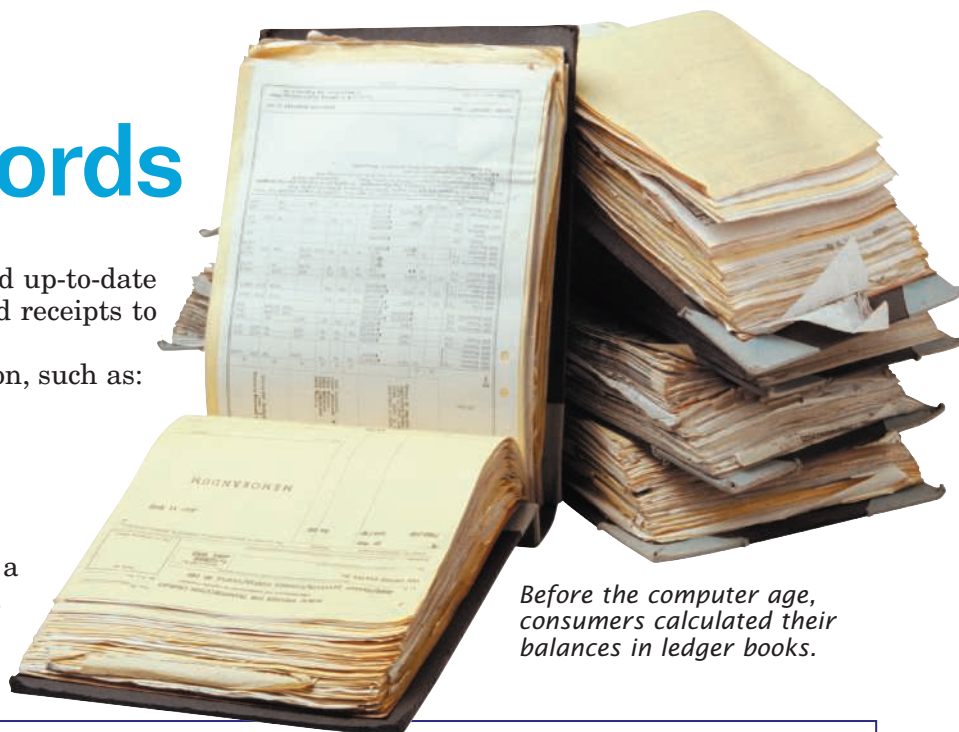
Methods of keeping records

All consumers should keep accurate and up-to-date records of purchases and payments, and receipts to show proof of purchase.

Records provide important information, such as:

- which accounts have been paid
- any outstanding accounts
- total expenses
- cash balance
- date, amount and item purchased.

You need such information if there is a dispute over non-payment of an account. Your only proof of any financial transaction will be your set of records.



Before the computer age, consumers calculated their balances in ledger books.

Diagram illustrating the parts of a spreadsheet interface. The interface includes a menu bar (File, Edit, Window, Select, Format, Options, Chart, Macro), a toolbar (Cancel Box, Enter Box, Formula, Entry Bar), and a grid of cells. The active cell is C10, which contains the formula = Sum (C4:C9). The spreadsheet displays a budget for the summer (June, July, August) with various expenses and income items. The total expenses for June are \$738.00, for July are \$782.00, and for August are \$738.00. The total income for June is \$767.00, for July is \$768.50, and for August is \$771.00. The surplus (deficit) for June is \$29.00, for July is (\$13.50), and for August is \$33.00.

	A	B	C	D	E	F
1						
2						
3	Expenses		June	July	August	
4	Rent		\$325.00	\$325.00	\$325.00	
5	Groceries		\$85.00	\$90.00	\$85.00	
6	Electricity		\$85.00	\$95.00	\$85.00	
7	Water		\$11.00	\$15.00	\$11.00	
8	Gas		\$7.00	\$7.00	\$7.00	
9	Transportation		\$225.00	\$250.00	\$225.00	
10	Total Expenses		\$738.00	\$782.00	\$738.00	
11						
12	Income					
13	Salary		\$750.00	\$750.00	\$750.00	
14	Savings Interest		\$9.00	\$9.50	\$10.00	
15	Dividends		\$8.00	\$9.00	\$11.00	
16	Total Income		\$767.00	\$768.50	\$771.00	
17	Surplus (Deficit)		\$29.00	(\$13.50)	\$33.00	
18						

Parts of a spreadsheet

Before the advances in technology from the 1970s and 1980s that revolutionised the ways in which information is collected and stored, consumers recorded their purchases, bill payments and other accounts in ledger books and calculated their balances manually. Today a range of computer spreadsheet and database programs makes record keeping easier for individuals and businesses. These computer programs automatically add or subtract numbers, reduce the need for large bulky books, minimise the time required to complete financial statements and, if the data are entered correctly, ensure greater accuracy of records.

Spreadsheet

A spreadsheet is a series of rows and columns displayed on a computer screen. It allows the operator to perform mathematical calculations. A spreadsheet could be used to calculate a personal budget showing monthly transactions.

The place where a piece of data is entered on a spreadsheet is called a cell. It is the intersection of a row and a column. Each cell is individually identified by its column letter and row number. An active cell is the selected cell in which data are entered or edited.

The greatest advantage of a spreadsheet is that, once it is set up to include all the necessary labels, values and formulas, if any number has to be changed the program will automatically recalculate totals.

Database

A computerised database is like electronic folders and filing cabinets. The main advantage of a database is that a consumer can quickly search through a large number of files to locate specific information.

A database can be used to keep a list of credit or debit purchases, accounts paid or the details of goods purchased. It is important to update the database regularly as new purchases are made or existing accounts are paid.

Fields

	Company name	Item	Date Paid	Amount	Payment Method	Comments
1	Spotless Dry Cleaning	2 jumpers	06/07/04	\$25.00	Cash	
2	Amy's florist	Gift flowers	12/07/04	\$35.00	Cheque	cheque no. 492386
3	Fastlink Connections	Monthly ISP account	21/07/04	\$32.50	Direct Debit	
4	Watt's Shoes	Black dress shoes	30/07/04	\$79.50	Mastercard	

Records

Active record

Parts of a database

Activities

UNDERSTAND

- Unscramble the following words and then use each one in a sentence to explain its meaning.
 - eeessprhdat
 - bdtaseaa
- What is an active cell on a spreadsheet?
- What is the main advantage of using a database to record and monitor financial transactions?
- Construct a simple database showing a record of ten different cash, credit card, debit card and cheque purchases. Give the database an appropriate title. The database should contain fields for date, name of the store or company, good purchased, amount, method of payment and comments.
- Draw up a page in your notebook with six columns and fifteen rows. Label the columns A–F and the rows 1–15. Label the page 'A Personal Two-Month Record of Expenses and Income'. Put the following headings into these cells: A2 EXPENSES, C2 JANUARY, D2 FEBRUARY, E2 MARCH, A8 TOTAL

EXPENSES, A10 INCOME, A13 TOTAL INCOME, A15 SAVINGS. Under the heading EXPENSES in A2, write the words 'Lunch', 'Fares', 'Entertainment' and 'Car', each in a different row. Under the heading 'INCOME' in A10, write the words 'Wages' and 'Interest'. Lunches are a constant \$65 a month as are fares at \$40. Entertainment decreased from \$115 in January to \$65 in February and \$40 in March. Car increased from \$55 to \$65 to \$80 respectively. Wages are a constant \$275 a month while interest earned is \$5 a month.

- Complete this budget calculating all totals.
 - In which month were you able to save:
 - the most?
 - the least?
 - What are the advantages of recording this information in this format?
- 6 Complete question 5 using a computer spreadsheet application. Change some of the figures and describe what happens.



Changes over time and the impact of technology

The methods that consumers use to pay for goods and services have constantly changed over time. Most of the changes are due to the impact of technology.

Barter

Before coins and notes were used, a system called **barter** existed. Barter was swapping or exchanging one good for another. Barter still exists in some parts of the world. Many indigenous people still use barter.

However, there are a number of problems with barter. Trying to calculate the value of an item is difficult. Finding someone who wants what you have and has what you want is known as 'double coincidence of wants'.

The development of money overcame the problems of barter.



Barter — an early method of payment

Money

Money — anything people generally accept as payment in exchange for goods and services — gave consumers greater freedom in satisfying their needs and wants. Earlier societies used items they valued, such as gold, shells, rum, salt, cattle or even coloured stones, as money. They were scarce or rare and accepted by everyone as a form of payment.

Nowadays, we think of money as notes and coins. This has also evolved with time and technology. Money transactions with 'plastic money' (credit and debit cards) are becoming a preferred method of payment by consumers.



Money — past and present

comFACT

According to Chinese historians, China was the first country to issue paper money. Called 'flying notes' their use was first recorded about 800 AD.

Impact of technology

Technological changes have had a major impact on the methods of payment available to consumers. We have discussed the popular use of credit and debit cards, Internet purchases, direct debit and EFTPOS transactions. All of these methods of payment are only possible because of the development

in computer technology. Electronic 'direct entries' presently account for about 70 per cent of the value of non-cash payments and this figure is expected to increase.

Cheques, once the only method, apart from cash, of paying for purchases and bills, are being replaced by electronic payments. Financial institutions encourage consumers to use the technology for payment of purchases as well as their own banking needs. The financial institutions are structuring their transaction fees and charges to encourage customers to adopt electronic banking. For example, over-the-counter cash withdrawals at a bank branch, once the free number per month has been exceeded, cost much more than an EFTPOS transaction.



An advertisement for the Commonwealth Bank's NetBank

Dial and pay

A recent example of the impact of technology on the payment process is the ability to buy goods with a mobile phone. Originally started with soft drink vending machines, this method of payment involves using a mobile phone to dial a specified number and then the cost of the good is added to your mobile phone bill.

While the methods of payment available to consumers have changed radically over the years due to rapid advances in computer technology, the

basic transaction has not changed; that is, purchasing goods and services in exchange for something.



Ring up a purchase.

Activities

UNDERSTAND

- List some bartering activities that take place today, for example:
 - vintage car swap meet
 - primary school students and their marbles.
- Describe, using an example, how technology has affected the way in which consumers can pay for their goods and services.
- Conduct a bartering session in your class. Each class member can bring along something to barter, such as pieces of food. Display the goods on the desks.
- After the session, complete these sentences:
 - Double coincidence of wants occurs when ...
 - Agreeing on the value of something is ...
 - Some people were disappointed with their barter because ...
 - Money makes trading easier because ...
 - Explain the ways that the barter session helped you understand the problems of barter.

INVESTIGATE

- Using your library and the Internet:
 - Research an early form of money. Find out where and when it existed, who used it and what it was like.
 - Find out who the Australians shown on our banknotes are. Write a paragraph describing why each person is important.

COMMUNICATE

- As a class, discuss the advantages and disadvantages of using a mobile phone to buy goods.

WORKSHEETS

- Topic test — consumer choice

Check & challenge



Check Commerce and choice

1 Complete the statements in your notebook by selecting the correct word from the list below.

- A _____ is someone who purchases goods and services to satisfy needs and wants.
- Something that is necessary for survival is called a _____.
- _____ are not essential for survival but are the things we would like to have.
- Items that you can see or touch are called _____.
- _____ cannot be touched but are provided for you by other people.
- A financial plan is called a _____.
- The _____ is made up of people aged 15 and over who are either employed or unemployed.
- _____

means that something is of an acceptable quality in keeping with its price.

budget
consumer
labour force
wants
services
need
goods
merchantable quality

Consumer decisions

- Outline the advantages of comparison shopping.
- Draw a diagram to show the distribution process from the manufacturer to the consumer.
- Outline the situations where:
 - mail order
 - Internet shopping is the most appropriate way to purchase goods.

The need for consumer protection

- What are the main elements of a simple contract?
- Study the illustration below carefully. Explain how each practice helps a person to become a wise consumer.
- Outline the role of the Consumer, Trader and Tenancy Tribunal.

Payment choices

- Explain the difference between a credit card and direct debit.
- Why should a consumer set a maximum amount if they intend to use book up as a method of payment?
- What are the advantages of keeping an up-to-date record of your purchases and payments?

Practices of a wise consumer





Challenge Consumers

- 11 Explain why needs and wants vary between:
 - (a) people in the 1890s and people today
 - (b) a teenager living in Goulburn and an elderly person living in Sydney
 - (c) a middle-aged executive earning \$300 000 a year and a young sales assistant earning \$23 000 a year.
- 12 Research the changes that have occurred in the way we shop. Present your information by completing the following timeline.

Middle Ages
Hypermarket

5th–15th century
21st century
- 13 Explain how specialty stores are able to exist in competition with large department and discount stores.
- 14 Collect three examples of persuasive advertisements and paste them in your notebook. Under each one, explain how the advertisement might influence the consumer to buy the product.
- 15

Supermarket shopping – at your convenience

As you enter the supermarket you encounter your first obstacle: a shopping trolley with a mind of its own. After taming the 'beast', you set off cautiously, for you have entered into a game of enticement where the retailer has cleverly set traps to ensnare the unsuspecting consumer. Traps such as music, lighting, pleasant aromas from the bakery, eye-catching display techniques and, worst of all, the rearrangement of the store to divert you to new aisles, pepper your journey. After dodging the tempting specials at the end of each aisle and juggling an overflowing trolley, you make your way to the checkout. Which aisle to line up in? The 'express' aisle moves at a snail's pace. Never mind, just pick up (and later purchase) a magazine while you wait — another trap. With the trolley unloaded, and goods scanned and bagged, you now take a leap of faith and hope the EFTPOS transaction is accurate. Leaving, you push the errant trolley to your car, once you remember where you parked it. You breathe a sigh of relief. How can this be called 'convenient'?

- (a) Do you agree or disagree with the sentiments expressed by the writer? Give reasons for your answer.
- (b) Is this article based on fact or impression? How can you tell?
- (c) Investigate and report on the changes that have occurred in supermarket shopping over the last 50 years. Why have these changes occurred and who has benefited, the consumer or the retailer?



- 16 List and explain some techniques retailers use to tempt us into impulse buying. The first one has already been completed for you.

Techniques used by retailers to encourage impulse buying

Technique

1. 'Sale' prices

Explanation

You think you are getting a good bargain

- 17 Library research. Explain why it is important to know who has ownership of goods when they are being bought on credit. You may need to refer to some legal studies books and websites.
- 18 Write a report explaining why you should plan your finances very carefully before entering into any type of credit contract. Cover the following areas:
 - (a) what is credit?
 - (b) different types of credit
 - (c) interest rates
 - (d) repayments
 - (e) budgeting so as to avoid the problem of too much debt.
- 19 What is a warranty? Explain how a warranty provides some protection for a consumer.
- 20 Prepare a database of the local people and organisations that can provide you with advice about consumer protection.
- 21 Answer the following questions:
 - (a) What does the term 'plastic money' mean?
 - (b) What are some advantages and disadvantages of using debit cards?
 - (c) Why is a debit card better than a cheque for both the consumer and business?
 - (d) Will cashless shopping create any difficulties for society? Explain your answer.
- 22 In small groups, construct a flow diagram to indicate the steps involved in using an ATM.
- 23 Who has more problems as a consumer: a person who has a very large income or one who has a small income? Explain your answer.